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1. Ratios are used to compare different firms in the same industry.

TRUE FALSE

2. Economic and Financial ratios are also used to weigh and evaluate the performance of the firm.

TRUE FALSE

3. Liquidity (short term solvency) ratios indicate how fast a firm can generate cash to pay bills.

TRUE FALSE

4. Profitability ratios allow one to measure the ability of the firm to earn an adequate return on sales, total assets, and invested capital.

TRUE FALSE

5. Return on equity will not change if the firm increases its use of debt.

ROE

TRUE FALSE

6. A company can improve their ROE by changing their capital structure.

TRUE FALSE

7. Investors are most concerned with the liquidity ratios of a company.

TRUE FALSE

8. The income statement is a major device for measuring profits of a firm over a period of time.

TRUE FALSE

9. The income statement measures the increase in the assets of a firm over a period of time.

TRUE FALSE

10. Sales minus cost of goods sold is equal to earnings before taxes.

TRUE FALSE

11. Sales minus cost of goods sold is equal to EBIT (operating profit).

TRUE FALSE

12. Ratio analysis can be useful for

A. Historical trend analysis within a firm.

B. Comparison of ratios within a single industry.

C. Measuring the effects of financing.

D. All of the options

13. In examining the liquidity ratios, the primary emphasis is the firm's

A. Ability to effectively employ its resources.
B. Overall debt position.
C. Ability to pay short-term obligations on time.
D. Ability to earn an adequate return.

14. Total asset turnover indicates the firm's

A. Liquidity.

B. Debt position.

C. Ability to use its assets to generate sales.

D. Profitability.

15. Which of the following is not subtracted in arriving at EBIT (operating profit /economic profit)?

A. Interest expense
B. Cost of goods sold
C. Depreciation
D. Selling and administrative expense

16. Increasing interest expense will have what effect on EBIT?

A. Increase it.
B. Decrease it.
C. It will have no effect.
D. There is not enough information to tell.

17. Consider the following information for Ball Corp. What is the EBIT (operating profit) for Ball Corp.?

Sales	€350,000
Interest expense	€30,000
Costs of goods sold	€220,000
Taxes	€17,500

A. 130000

18. Candy Company had assets of €850,000, sales of €320,000, financial expenses €20,000 and costs of €112,000. What is the commercial margin?

A. 0,6371

19. Elgin Battery Manufacturers had sales of €1,000,000 in 2020 and their cost of goods sold represented 80 percent of sales. Depreciation expense was €100,000 and interest expense for the year was €10,000. The firm's tax rate is 30 percent. What is the euro amount of taxes paid?

A. €27000

20. Indicate which of the following statements **is false:**

i. ROI is the return on assets or investments and measures the ability of the company to generate profits for each monetary unit invested in its assets.
ii. ROE ratio relates the net profit to the total of own resources that the company has.
iii. The commercial margin relates the EBIT to the total assets of the company

21. Indicate which of the following statements **is true:**

i. ROE relates the net profit with the volume of sales of the company.

ii. ROE measures the ability of the company to remunerate own capital.

iii. For the calculation of ROE, the numerator includes the profit before taxes and interest.

22. A company has the following information; EBIT 600,000 euros, own resources 3,500,000 euros, 3,000,000 euros liabilities, average annual cost of liabilities 8%, tax rate of corporate tax 30%, number of shares 150,000, dividends distributed 400,000 euros, price of the action 25 euros.

a) The ROE is:.....

b) The profitability of the shareholder is:.....

23. ZYX Company presents the following results in the last year: sales 16,000€, Current Assets 6,000€, Current liabilities 2,000€, Costs 13,000€, Non-Current Assets 6,000€, Owner´s Equity 6,000€, Non-Current Liabilities 4,000€.

A) The commercial margin is:.....

B) The turnover of the asset is:.....

24. The most important financial rule for a company is to have liquidity.

TRUE FALSE

25. Solvency ratios are only use to assess the company´s short-term financial situation.

TRUE FALSE

26. The current ratio compares the liquid accounts of a company's current assets to its current liabilities.

TRUE FALSE

27. Weaknesses of the current ratio include: the difficulty of comparing the measure across industry groups, overgeneralization of the specific asset and liability balances, and the lack of trending information.

TRUE FALSE

Corrected by:.....